AgExporter

Supermarkets Are Modernizing Markets from China to Vietnam

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The Magazine for Business Firms Selling U.S. Farm Products Overseas

AgExporter

United States Department of Agriculture
Foreign Agricultural Service

November 2004

Features

Beginning in 2005, *AgExporter* will go to a quarterly publication schedule.

FAS Services, Trade Show and Trade Mission Opportunities

Volume XVI, No. 11

Published by
U.S. Department of Agriculture
Foreign Agricultural Service

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Subscription Information:
Subscriptions to FAS publications are handled by NTIS (the National Technical Information Service): Tel., toll-free: 1 (800) 999-6779, DC area: (703) 605-6060; Internet: www.ntis.gov/products. FAS subscriptions are also sold by the Superintendent of Documents, GPO (U.S. Government Printing Office), Tel., toll-free: 1 (866) 512-1800, DC area: (202) 512-1800; Fax: (202) 512-2250; Internet: bookstore.gpo.gov; Mail: Stop SSOP, Washington, DC 20402-0001. Please direct all subscription questions or comments to NTIS or GPO.

China's Modernizing Supermarket Sector Presents Major Opportunities for U.S. Agricultural Exporters

By Fred Gale and Thomas Reardon

Photos by Fred Gale, USDA Economic Research Service

The lightning-fast emergence of supermarkets over the past decade may be the final piece of the China market puzzle. Rising incomes and an expanding urban middle class are setting the stage for China's development as a market for imported foods.

Until recently, many exporters eyeing the Chinese market came away in frustration after encountering a fragmented market made up of thousands of mom-'n'-pop shops, old-style, open-air markets and labyrinthine, antiquated wholesale and logistics systems. The old marketing system, controlled by various provincial and city marketing bureaus, consisted of small, fragmented wholesale and retail segments selling local produce; multiple layers of small brokers, wholesalers, distributors and government-licensed importers; and government-run retail outlets.

The good news for food suppliers is that "supermarketization" is transforming China's food sector into a modern retail system. Modern supermarkets, convenience stores, hypermarkets and warehouse clubs—retail formats nearly nonexistent in China in the early 1990s—have now captured an estimated 30 percent of the urban food market and are growing at rates of 30-40 percent annually.

Chinese supermarkets skyrocketed from just one outlet in 1990 to approximately 60,000 stores with an estimated $71 billion in sales by 2003, according to the Chinese Chain Store and Franchise Association. Growth in the industry that took several decades in the United States and Europe has occurred in a single decade in China. Supermarket sales in Shanghai alone during 2003 were estimated at $5 billion, equivalent to half of Shanghai's retail food sales.

Supplier Benefits

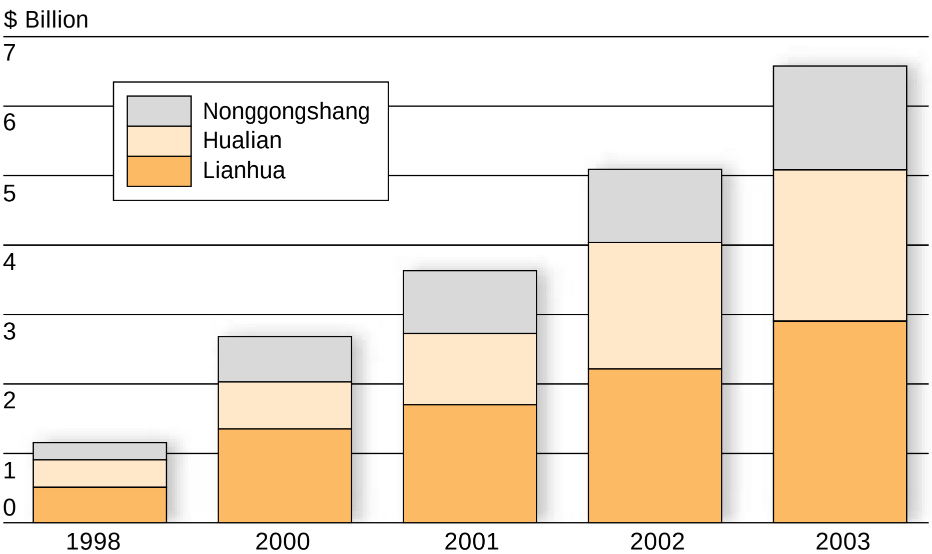
The new supermarket sector is a boon to exporters for two reasons:

- **The way they sell to consumers.** Supermarkets, engaged in fierce competition with other types of outlets for the Chinese consumer's dollar, are eager to carry new products to meet consumer demand for quality and product diversity. Some advertise exotic products to get customers in the door.
- **The way they buy from suppliers.** Supermarket chains employ centralized, high-volume distribution systems that give exporters a larger target with fewer distribution layers to navigate. Procurement modernization is increasing the advantage of suppliers that can deliver quality products in a timely and price-competitive fashion. These factors should give foreign food suppliers a better chance to compete in the Chinese marketplace.

Sources of Supermarket Sector Momentum

The sector includes a number of different store formats: small chain convenience stores selling primarily canned goods and beverages and/or snack and convenience foods; standard supermarkets; hypermarkets that sell a full range of consumer goods, from clothing and elec-

For China’s Largest Supermarket Chains, Sales Are Booming



Data for 1999 not available.
Source: Shanghai Statistical Yearbook.

tronics to bicycles; and large warehouse clubs. The large formats account for the lion’s share (95 percent) of sales in the modern retail sector; convenience stores garner only 5 percent. These market shares are expected to continue for the foreseeable future.

Supermarkets began developing in the early 1990s in Shanghai and several other major cities where they were encouraged by local governments. The largest Chinese supermarket chains started out as government-operated department stores and marketing bureaus in Shanghai.

Multinational chains from Europe, Japan, Hong Kong and the United States provided a second major impetus in the development of the sector in the mid- to late 1990s in most prosperous coastal cities, including Shanghai, Guangzhou and Shenzhen. Supermarket development took off in other large cities such as Beijing in the late 1990s.

Although about 80 percent of China’s supermarkets are in the eastern region, all major chains have aggressive expansion plans targeting medium and small cities, central and western provinces, and rural areas. And while multinational companies at present have about 40 percent of the sector’s sales, domestic companies such as Lianhua and Hualian have developed quickly.

Local governments are actively encouraging the transition to supermarkets by shutting down wet markets (traditional street markets) and in some cases converting them into supermarkets. In 2004, China’s Ministry of Commerce announced a five-year plan to develop a rural retail network of chain supermarkets and express stores in small towns, pushing the supermarket format into China’s vast rural hinterland.

Supermarkets Displace Traditional Markets

Supermarkets enjoyed initial success with packaged foods and processed food staples like rice, flour and cooking oil. Supermarkets and convenience stores have also played a key role in boosting

consumption of milk products, other beverages, snacks and convenience foods.

Chinese consumers have traditionally bought most of their fresh foods—vegetables, fruits, meats—from wet markets. Vendors in wet markets sell generic produce grown on local farms or purchased from wholesale markets. Before the supermarket explosion, they usually purchased canned and packaged foods from small mom-'n'-pop stores, roadside kiosks or the food product sections of government department stores.

Supermarkets are rapidly gaining a competitive edge over these traditional retailers. They offer a cleaner, more comfortable and convenient shopping environment. Quality is generally better and more standardized. In the case of packaged foods, shoppers do not have to haggle over prices, and they can trust product measures and units. Supermarkets offer a wider array of products than do traditional shops. Refrigerated, frozen and ready-to-eat foods are available; almost 90 percent of urban Chinese households have home refrigerators.

However, many shoppers continue to purchase fresh produce from wet markets while making weekend trips to the super-

History of Supermarket Development in China

Time period	1980s	Early 1990s	Late 1990s		
Developments	Traditional grocery stores	Emergence of supermarkets	New store formats	Foreign investment	Coastal cities
Description	Mainly state-owned and collective-operated. Some are privately owned and operated.	Hong Kong-style stores of 300-800 square meters; mostly packaged foods and items for daily use; few fresh items. Chains had fewer than 10 stores.	Super stores as large as 20,000 square meters, hypermarkets, convenience stores.	Entrance of multinational companies like Carrefour, Wal-Mart, Makro and 7-Eleven.	Development was most rapid in wealthy coastal cities like Shanghai and Shenzhen.

Adapted from Geping Guo, "Development of Supermarkets in China," presented at Supermarkets and Agricultural Development Conference, Shanghai, May 2004.

market for other items. They prefer the freshness, low prices and personal interaction at wet markets for fresh vegetables and fruits.

Nevertheless, supermarkets are quickly taking over the fresh produce segment of the market as well, by matching wet market prices and offering superior quality and sanitation. An important measure of their initial success is that Chinese supermarkets now sell roughly $4 billion worth of fruits and vegetables to Chinese consumers–about twice China's exports in that category to the rest of the world. That is, the internal "supermarket market" is already large and dynamic, rivaling exports from China, and a dynamic market for imports to China.

Imports Arrive

Imported foods, until recently a rarity in China, are now widely available in Chinese supermarkets. Washington apples, California oranges and wines, lychees from Thailand, butter from New Zealand and cheeses from France are commonly found on supermarket shelves. Supermarkets feature many international food brands, such as Kellogg's cereals, Hormel sausages and hot dogs, Lay's potato chips, Nestlé and Danone milk products, McCormick jellies and Skippy peanut butter, many of which are manufactured locally, albeit sometimes with imported ingredients.

China's growing middle class (estimated at 200-300 million persons, out of a population of 1.3 billion) has the purchasing power to afford imported foods, but this crucial market segment has been kept largely out of the reach of food exporters by the combination of China's antiquated marketing system and high trade barriers.

China has cut tariffs, import licensing requirements and state trading monopo-

Contacts

This article draws data from "The Emergence of Supermarkets with Chinese Characteristics: Challenges and Opportunities for China's Agricultural Development," by Dinghuan Hu, Thomas Reardon, Scott Rozelle, Peter Timmer and Honglin Wang, Development Policy Review, Volume 22, September 2004, 557-86. To find it on the Web, go to: **www.blackwell-synergy.com/links/doi/10.1111/j.1467-7679.2004.00265.x/**

More information on the Chinese market can also be found in the Economic Research Service's China Briefing Room, available on the Web at: **www.ers.usda.gov/briefing/china**

In addition, FAS has information on China and several offices in that country to help U.S. suppliers. To find that information on the Web, start at **www.fas.usda.gov**, and select **Countries**. Scroll down to **Attaché Reports** for the latest information from those offices, and **Embassies** to view their contact information.

21st century				
More new formats	Geographic expansion	Merchandise structure	Mergers	Reform of traditional stores
European-style discounters, warehouse clubs and mini-marts.	Retail chains expand outside their home provinces.	Wider variety of items, including more fresh produce and organic foods. Private-label store brands emerged.	Chinese supermarket chains merged with both domestic and foreign partners.	Traditional stores, including mom-'n'-pop groceries, state-owned grain and oil shops and kiosks were transformed into small supermarkets and convenience stores. Small, independent supermarkets also emerged.

lies as a result of its entry into the WTO (World Trade Organization) in 2001. Lower trade barriers are a first step to opening the Chinese market at its borders and ports, but a competitive, efficient domestic marketing system is necessary to get imported products from entry points to the Chinese consumer. That's where supermarkets come in.

Supermarkets are bringing world-class procurement systems into China, giving potential exporters a bigger target to aim for and knitting together market segments fragmented by geography and other factors. Supermarket chains are establishing large, centralized distribution centers that draw products from throughout China, and from elsewhere in Asia, Oceania, the Americas and Europe. Multinational logistics firms are now operating in China, whose WTO commitments mandate that the country open its market to foreign companies engaged in wholesaling and distribution in 2004.

The integration of China into multinational retail chains may open more avenues to its market. The world's largest food retail chains–such as Wal-Mart, Carrefour, Metro and Tesco–are now buying from and selling to China. The amount of Wal-Mart's procurement from China exceeds the gross national product of many countries, and Wal-Mart's sales in China are increasing as well.

The largest Chinese food retailer, Lianhua, has started to open stores in Europe with the intent of developing into a retailer that can buy and sell in both domestic and foreign markets. Suppliers able to establish themselves in the procurement system of a multinational chain may have easier access to the China market. ■

Gale is a senior economist in the Market and Trade Economics Division of USDA's Economic Research Service. Tel.: (202) 694-5215; Fax: (202) 694-5793; E-mail: fgale@ers.usda.gov. Reardon is a professor with Michigan State University. E-mail: reardon@msu.edu

YOUR KEY TO CHINA'S FOOD MARKET!

Fi ASIA-CHINA 2005

SHANGHAI, CHINA

Why:

- China offers tremendous growth potential over the next 10 years.
- China's gross domestic product grew 9 percent in 2003, making it a promising place for companies to meet, exchange information and ideas and conduct business.
- **Fi Asia-China** (Food Ingredients Asia-China) will be held in Shanghai, the most important industrial base for China's food sector.
- **Fi Asia-China** is one of seven successful food and health ingredients exhibitions held around the world every year.
- More than 11,500 food professionals attended **Fi Asia-China** in 2004. An impressive 92 percent of the attendees came to develop new business relationships.
- Meet thousands of Chinese food business leaders face-to-face in a modern and highly professional environment.

Where: Shanghai Everbright Convention & Exhibition Center

When: March 1-3, 2005

Best Products: Additives, amino acids, baking ingredients, herbs, spices, seasonings, organic ingredients, whey, lactose, tree nuts, dried fruits, frozen potato products, frozen fruits and vegetables

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For more information on the show, visit: **http://asiachina2005.fi-events.com**

Food Ingredients Hit the Jackpot in Las Vegas

Photos by Oscar/Einzig Photography, Chicago

By Donald Washington

The world's most popular flavors and ingredients were on display and often on everyone's tongue, literally, in July at the 2004 IFT (Institute of Food Technologists) Annual Meeting and Food Expo in Las Vegas, NV.

Now in its 64th year, the IFT Food Expo featured presentations on the latest food products, along with familiar and exotic flavors and ingredients from U.S. producers and from companies around the world. The three most prominent trends at this year's show were health and wellness ingredients, ethnic flavors and convenience and packaging.

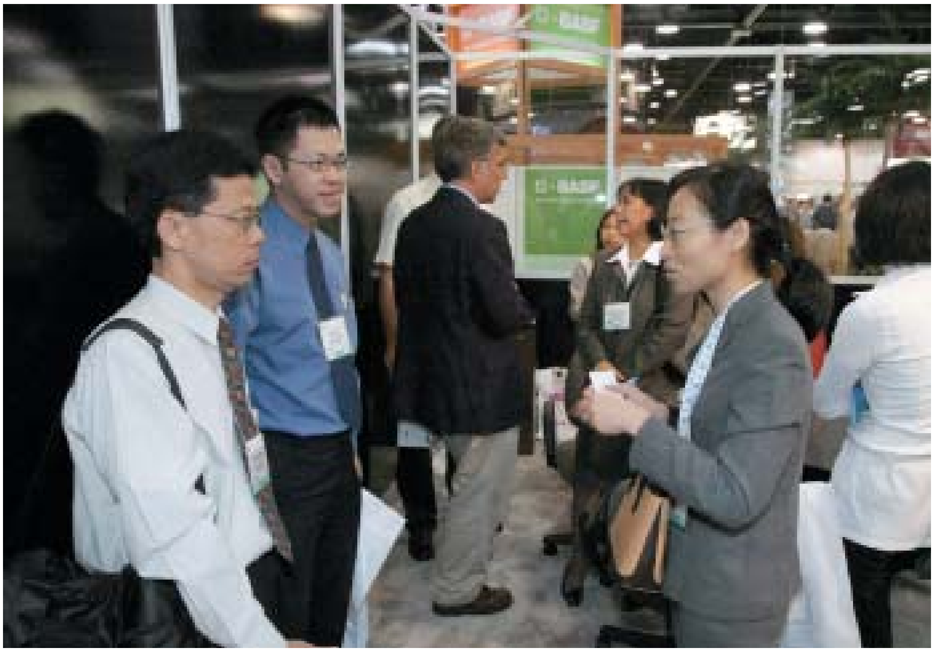
One of the largest shows in the United States, IFT attracted 10,000 visitors and 6,864 exhibitors featuring a variety of items, including sugarless ice cream, coatings, candy, soy products, sauces, condiments and a bevy of low-carbohydrate products. Flavored coffees were also available for those who frequented casinos during the previous night and needed to perk up.

The show also featured nutraceutical ingredients such as antioxidants, proteins, botanicals and other ingredients that are intended to enhance health and the immune system.

FAS and MIATCO, the Mid-America International Agri-Trade Council, a non-profit organization that promotes agricultural exports from the Midwest, recruited more than 80 international buyers to attend the show. The buyers traveled from seven countries in South America and Asia to seek out products and build business relationships.

Meeting Trade Service Needs

"This is the first year that FAS targeted the IFT Food Expo for its outreach efforts," said Timothy Powers, an outreach



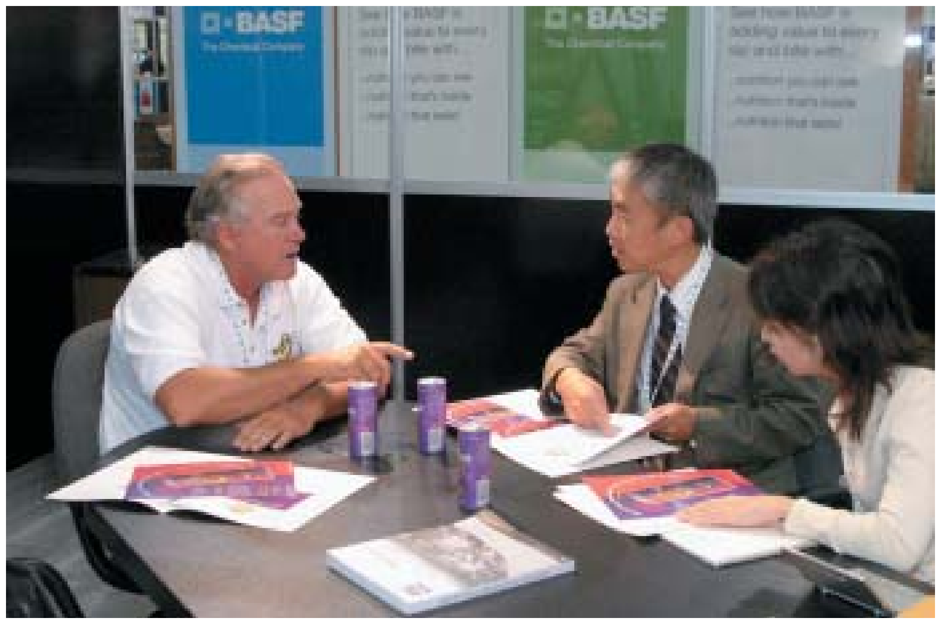
specialist for FAS. FAS began this relationship with IFT because foreign traders requested it. "Buyers approached our offices abroad and asked for information on the Expo and FAS assistance at the show," Powers said.

FAS staff assisted buyers before the show, in some cases working with travel agencies and the Las Vegas hotels or acting as interpreters. A lounge on the show floor for international buyers was staffed by FAS. International buyers were able to use two offices for private meetings, and open areas for more informal meetings. FAS staff will continue to assist the buyers after they return home.

These buyers are likely to make a significant contribution to the overall sales from IFT. Ten buyers that FAS escorted to last year's IFT show in Chicago purchased between \$3 and \$5 million worth of products at the show or subsequently.

There are no hard estimates of on-site sales yet for this year's show, but if early reports are any indication of success, according to many attendees, the show was a hit.

"This is the first IFT that I have attended, and I was very impressed with the size of the show, the number of exhibitors and the diversity of products," said Alan Di Stefano, director, Global



Trade and Investment for the state of Nevada. "I think that any company looking to source ingredients, or learn about new technologies, should make this a 'must attend' show in the future."

The two Nevada food companies exhibiting at IFT felt that the sales leads they got were very good and that sales will result from them in the future.

"I thought the international lounge on the exhibit floor was an excellent idea," Di Stefano said. "I used the lounge to meet with the leaders of the Philippine delegation and also used it for meetings between two Las Vegas companies and four buyers from Osaka, Japan. This worked extremely well for everyone involved."

"This was the first trip to the United States for several Indonesian buyers, although they already import some food ingredients from America," according to Fahwani Rangkuti, marketing specialist with the FAS Office of Agricultural Affairs in Jakarta, Indonesia.

The Indonesian buyers met with exhibitors each morning and tried to visit as many booths as possible to seek out suppliers from the United States.

According to Illeana Ramirez, marketing specialist with FAS' Office of Agricultural Affairs in Costa Rica, the buyers she accompanied to the show thought it was excellent and felt that they would attend again in the future.

The turnout at this year's show was a great success. "This is a reflection of the show itself and the positive attitude that foreign buyers and FAS offices abroad have about the show," said Powers.

Amid the bright lights, carnival-like atmosphere, big jackpots and floor shows of Las Vegas, the business of agricultural trade was done at IFT.

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Set Your Sights on Netherlands' HRI

For details, see FAS Report NL4010. To find it on the Web, start at **www.fas.usda.gov**, select **Attaché Reports** and follow the prompts.

By Marcel Pinckaers

In the past four years, sales in the Dutch HRI (hotel, restaurant and institutional) sector have jumped more than 20 percent, from $9.4 billion in 1999 to $11.4 billion in 2003. By 2006, sales are expected to reach $12.5 billion. Current and projected growth reflects increasing consumer income and a national propensity for eating out more and trying new product and service concepts.

Except for the fast-food and catering subsectors, the HRI market is fragmented. But continuing growth is expected to bring transformation as companies adapt to new market demands and opportunities. More mergers, acquisitions and alliances are likely. Despite the pressure to merge, there is growth opportunity for small independent high-end hotel and restaurant segments.

The Netherlands' sophisticated food service sector and affluent, open-minded consumers make for an attractive market combination. Also, the country's high food production costs have led to an increasing reliance on imports from nearby countries. Trade with other EU (European Union) countries is fairly easy and inexpensive.

However, for some products, HRI sector buyers must look beyond the EU. For example, year-round availability of some fruits and vegetables requires imports from non-EU countries. Another reason for looking outside the EU border is price. Buyers are also looking for unusual products produced only outside the EU.

Where You'll Eat in the Netherlands

All food service sectors have prospered in the past four years. They include:

- **Bars.** Focus on drinks, but food also served
- **Fast-food outlets.** Restricted menu of food for immediate consumption
- **Full-service restaurants.** Sit-down establishments, characterized by table service and higher food quality
- **Takeaway.** No facilities for eating on premises
- **Self-service cafeterias**
- **Street stalls/kiosks.** Mobile providers with limited offerings and low prices
- **Catering.** For food service in prisons, workplaces, hospitals, schools, such as contracted business caterers (at corporations, government offices, nursing homes and schools)

Full-service restaurants, fast-food outlets, bars and contract catering dominate the HRI industry, but fast-food outlets have had the most consistent growth.

The café and bar subsectors have been the first to respond to new market conditions, closing smaller and opening larger establishments. The number of full-service restaurants and fast-food outlets is expected to increase by 5 percent over the next few years.

U.S. Products That Sell Well

- Wines
- Seafood
- Fresh fruits
- Nuts
- Beef certified to be from cattle not treated with growth hormones
- Processed fruits and vegetables
- Sauces and condiments
- Game meats

Prospective Best Sellers

- Fruits not grown in the EU
- Innovative sauces and condiments

The ethnic or foreign cuisine trend is responsible for virtually all new full-service restaurants. Fast-food growth occurred mostly through expansion by big chains like McDonald's, Délifrance and FEBO.

How They Source

HRI companies purchase imported products directly from importers, wholesalers and local suppliers.

Fast-food outlets, which often belong to a chain, usually purchase through proprietary distributors for the franchise.

Due to its consolidated structure, the Dutch catering subsector has a limited number of dedicated distributors. These distributors tend to buy directly from local producers and importers.

Independent establishments buy fresh products, alcoholic beverages and soft drinks from local suppliers and other products from wholesalers. Bigger restaurants and chains usually buy from wholesalers and distributors.

Demographics Changing

The changing structure of the Dutch population has created three growing HRI markets: the graying generation, the working household and ethnic groups.

Today's Dutch consumer is more informed, health conscious and outward-looking in consumption habits. This bodes well for new product and service concepts. However, with intense rivalries, suppliers need to stay on top of new consumer trends and keep a watchful eye on prospective competitors.

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Bilateral Trade Agreement Sets Stage for Trade With Vietnam

60170

Backed by a solid GDP (gross domestic product) growth rate averaging 7 percent a year, Vietnam is becoming a marketplace for consumer-oriented foods. In 2003, the country's official trade data showed imports of $252 million worth of consumer-ready foods, up from $152 million in 2000. The actual level, however, is thought to be much higher as many products cross the Vietnamese border informally.

Though this market is unfamiliar to many exporters, U.S. consumer-oriented exports to Vietnam came to a record-breaking $20.5 million in fiscal 2003. During the first eight months of 2004, exporters had sold $14.5 million worth of consumer-oriented products and seem certain to set another new record. Much of this increasing trade is due to provisions of the 2001 Vietnam-U.S. BTA (Bilateral Trade Agreement).

BTA Opening Trade Door

Two-way trade between the United States and Vietnam in all agricultural, fish and forestry products has almost doubled in the past few years, from $514 million in fiscal 2000 to more than $1 billion in 2003.

The terms of the BTA cover reciprocal normal trade relations treatment, market access for goods and services, intellectual property rights and the rights of foreign direct investors. In addition, Vietnam agreed to reduce many tariff and nontariff barriers on key U.S. consumer-oriented and ingredient exports to the country, such as soybeans, grapes, apples, pears, cheeses, vegetable oils, prepared meats, fish, pasta and fruit juices—making these U.S. products more competitive with those of other suppliers.

However, other major U.S. agricultural exports to Vietnam in 2003 were concentrated in more traditional bulk and intermediate products, including cotton, hardwood lumber, feeds and fodders, sugars, sweeteners and beverage bases.

Market Overview

The five-day work week and increasing disposable income of Vietnamese urban families have accelerated the trend for purchasing ready-to-eat, snack and luxury food items.

Most homes, however, do not yet have refrigerators or microwaves to take full advantage of convenience foods.

Over the past several years, Vietnam's urban retail market has begun a steady transition away from the traditional open-air markets to modern supermarkets and

Homework Required: First Steps

Personal contact is very important in Vietnam. A good way to meet prospects is to participate in a trade show. The FAS office in Hanoi organized participation in the CanTho Fair, Vietnam's major international food and agriculture show, and Food and Hotel Vietnam, both held in December.

Other Southeast Asia regional shows include HOFEX in Hong Kong, May 10-13, 2005, and Food and Hotel Asia, scheduled for April 2006.

Time and money can be saved if U.S. exporters find an importing partner who also has a distributor license and works with all food retail sectors. Bringing an interpreter to all meetings, even those in English, with prospective importing partners can avoid misinterpretations. It is highly recommended that a written document of the meeting be provided immediately to all parties following any verbal agreement, to prevent misunderstandings.

shopping centers. This trend alone has greatly increased opportunities for Western food products.

Vietnam went from two supermarkets in 1999 to more than 85 in 2004—distributors now make 40 percent of their sales through supermarkets.

However, exporters should not overlook the open-air and enclosed traditional markets. Many vendors sell case lots of shelf-stable imports, especially in rural areas.

Tourism, Investment Up

Ho Chi Minh City is the commercial center of Vietnam and also the most economically dynamic area in the country. It has attracted foreign and domestic investment for a wide range of projects.

Though Hanoi's food shopping sector lags behind that of Ho Chi Minh City, it is playing catch-up with its sister city—with 20-25 large food retail stores compared to more than 50 in Ho Chi Minh City.

HRI Rife With Opportunity

The hotel and restaurant sector in Vietnam offers the most near-term opportunities for U.S. food products, followed by the retail sector.

In the future, the food processing sector will present opportunities as customers demand higher quality and a more diverse range of products.

Though U.S. food products are highly regarded, most local chefs come from Australia or Europe and have a preference for products from those areas. Education and promotion are very important in new product introduction. Proven best sellers include:

- Snack foods
- Fresh deciduous and citrus fruits
- Canned fruits and vegetables
- Canned meats
- Tree nuts
- Wines
- Chilled and frozen meats
- Frozen poultry


60191

Vietnam's tourist numbers are steadily increasing and adding to the economy. At 2.8 million in 2003, these visitors helped boost the hotel and restaurant industry, a targeted sector for high-value food suppliers.

Expert Help Needed

Until there is unified food law, suppliers new to the market should contact an established law firm in Hanoi or Ho Chi Minh City to help sift through the regulations and provide guidance on market

12113

entry. As provisions of the U.S.-Vietnam BTA become effective, U.S. suppliers will benefit from stabilized food import regulations.

When the BTA eases import restrictions in December 2004, U.S.-Vietnamese joint ventures and international companies may import products. In the past, only domestic companies could import food products. Many international companies have offices in the country, however, to work with local importing and distribution partners.

Cold Chain Could Be Better

As Vietnamese consumers begin to have higher expectations of their food purchases, larger shops are installing freezers and refrigerators.

Vietnam has a fairly good export cold chain, but the temperature and humidity controls on imported foods at critical links (transport, storage, handling, distribution and retail) are not as strong.

Storage, refrigeration and transport equipment are often less than adequate, and technical know-how and coordination among industry segments are in early development.

Through the cold chain improvement initiative that is funded by its Emerging Markets Program, FAS has worked with the International Association of Refrigerated Warehouses/World Food Logistics Organization to host several conferences and company consultations to improve the handling and storage practices for perishable foods.

This training has led to significant cold chain improvements (less product shrinkage, better product safety, better quality) and more import orders. Food marketers are seeing improved profits, often with minimal additional cost.

In the next few months, FAS plans follow-up consultations for companies that participated in earlier training. Keen interest by the industry suggests that there is excellent potential growth for the Vietnam cold chain and for accompanying growth in imported chilled or frozen products.

Entry Process

Two entities control Vietnam's food import process. Though regulations and applications can vary, a government-approved laboratory samples and tests food items for wholesomeness. The General Department of Customs determines and collects import duties and assures procedural compliance.

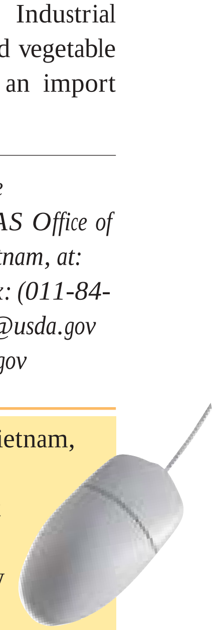
U.S. food imports are taxed according to Article 7 of the GATT (General Agreement on Tariffs and Trade). If a food item is not listed, import duties are based on the cargo's cost, insurance and freight invoice value. Inspection fees add another 0.1 percent of the retail value, but not less than $20 per shipment.

Customs divides foods into two categories. Most foods are subject to general food quality standards and requirements. A few special foods face additional requirements. These include infant formula, dairy, flour, oils, processed meats and fish, bakery and confectionery items, fresh fruits, vegetables and alcoholic flavorings.

All imported foods must have food quality registration certificates issued by Vietnam's Ministry of Health and certificates of origin issued by a recognized agency of the exporting country. Prescribed trademarks must be registered with the National Office of Industrial Property. Refined sugar, refined vegetable oils and some liquor require an import license. ■

For further information on the Vietnamese market, contact the FAS Office of Agricultural Affairs in Hanoi, Vietnam, at: Tel.: (011-84-4) 831-4572; Fax: (011-84-4) 831-4573; E-mail: AgHanoi@usda.gov or ATOHoChiMinhCity@usda.gov

For details on exporting to Vietnam, see FAS Report VM4037.
To find it on the Web, start at **www.fas.usda.gov**, select **Attaché Reports** and follow the prompts.



Poland's Growing Economy Supports Consumer-Oriented Food Sales

By Jolanta Figurska and Charlene Kastanek

Following Poland's accession to the EU (European Union) on May 1, 2004, U.S. products entering Poland are subject to EU external tariffs and other requirements. Prices of food products have risen since Poland joined the EU, and the Polish zloty vs. dollar rate has risen nearly 13 percent. These changes are benefiting U.S. product competitiveness.

U.S. sales to Poland have been rather limited (about $68 million in 2003, including $27 million in poultry transshipments to Eastern Europe). However, there are indirect sales via Western Europe for wines, distilled spirits, dried fruits and nuts. Other opportunities exist, given an upsurge in the economy and EU membership.

For years, most U.S. food and agricultural exports to Poland have been in the consumer-oriented category. And fiscal 2003 exports followed the same trend—81 percent, or $55 million worth, of U.S. food exports to Poland fell in the consumer-oriented category.

Of the $4 billion Poland spent on its total food and agricultural imports, 27 percent went for processed foods, up from 23 percent ($739 million) in 2000. These purchases reflect an improving GDP (gross domestic product), which grew 3.8 percent in 2003 and is expected to have increased another 5.4 percent in 2004. Other positive economic indicators for the country include falling rates of inflation and unemployment.

Post-Accession Price Breaks

Since Poland's entry into the EU in May 2004, duties on some imports have declined.

Products becoming more competitive because of falling duties include wines, dried fruits, nuts and salmon. This should help U.S. exporters of these products build on their already rising sales to Poland, which amounted to several million in 2003.

Food Industry Changing

As consumer incomes grow, the food industry is undergoing a radical transformation. On the food retail front, with consumers willing to pay more for convenience, new foreign hypermarkets are changing the face of retail marketing. They now account for 15 percent of all national grocery distribution.

The development of tourism, more women in the workforce and annual income increases have resulted in a burgeoning HRI (hotel, restaurant and institutional) sector.

For Poles living in urban areas—62 percent of a 38.6-million population—eating out is no longer a rarity. Diners readily sample a variety of ethnic foods, and show a special fondness for fast-food meals.

Foreign Investment for Infrastructure

Foreign investment in the food industry increased from $6.1 billion in calendar 2002 to $6.4 billion in 2003. Having spent $13.9 billion since 1993, France is Poland's largest Western investor. To the East, Russian investors have spent $1.3 billion on facilities in Poland.

Most funding in the food industry has been for updates to transportation and food processing facilities.

Select Retail Opportunities

There are obstacles to selling products to Polish groceries and restaurants—stiff competition from Poland and other EU countries, comparatively high import duties, stringent food ingredient regulations and high shelf fees. But there are opportunities also.

Good prospects include:

- Wines and distilled spirits
- Food ingredients (egg powder, spices, prunes)
- Fish for processing
- Fruits (grapefruit) and vegetables (canned corn)
- Ready-to-cook products (shelf-stable microwaveable foods)
- Snacks (dried fruit and nuts)
- Health foods
- Luxury or exotic products

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For details, see FAS Reports PL4016 (wines), PL4018 (seafood), PL4019 (value-added products), PL4020 (grapefruit), PL4022 (dried fruits and nuts) and PL4025 (distilled spirits). To find them on the Web, start at **www.fas.usda.gov**, select **Attaché Reports** and follow the prompts.

TRADE SHOW OPPORTUNITY

AAHAR 2005

NEW DELHI, INDIA

The Show: AAHAR 2005 is the premier food and beverage trade show in India. In 2004, more than 200 exhibitors and 20,000 business visitors attended AAHAR.

Location: Hall 14, Pragati Maidan Fair Grounds,
New Delhi, India

Dates: March 9-13, 2005

Deadline: Dec. 15, 2004—Booth space cannot be guaranteed after this date.

The Booth: A standard booth measures 12 square meters (3 meters x 4 meters) and includes a display board with your firm's name, floor covering, display counter with bar stools, a round table with chairs, display shelves, two spot lights, one power outlet, lockable cabinet and trash cans. Regular cleaning, maintenance and round-the-clock security are included.

Support: The Office of Agricultural Affairs, New Delhi, will sponsor a U.S. Pavilion at AAHAR 2005 and provide U.S. exhibitors with on-site support services during the show.

Costs: The cost of a booth is **$2,500**. The cost of displaying products in the American Café is **$500**. The exhibitor must pay the shipping costs, clearance charges (including import duties), insurance charges, etc. If you have any questions, please contact us.

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TRADE MISSION OPPORTUNITY

Indian Buyers Coming to the United States

What:

FAS, the Western United States Agricultural Trade Association, the Southern United States Trade Association and the World Trade Center Miami are sponsoring a buyers mission to Seattle, WA, San Francisco, CA, and Miami, FL. Eligible expenses are reimbursable through the branded initiative of the Market Access Program, administered by FAS, commodity organizations and state-regional trade groups. Seminars on Indian and Sri Lankan market trends and cultural preferences will be included. Twelve major buyers will be available for pre-arranged, one-on-one meetings with U.S. exporters of high-value food products. This event will provide a valuable opportunity to learn about the South Asian market for U.S. food products.

Where & When:

Seattle, WA: Friday, Jan. 21, 2005
San Francisco, CA: Monday, Jan. 24, 2005
Miami, FL: Wednesday, Jan. 26, 2005

The Market:

India is slightly larger than one-third the size of the continental United States and home to over 1 billion people. About 200 million middle-class consumers can afford imported products. For about 10 percent of them, price is no object. India is a mélange of religions and cultures, and has 15 official languages. English is the most important language for business purposes. The economy has averaged a healthy 6-percent growth rate since 1990. The population is young with a median age of 24 years. U.S. products are highly regarded for taste, quality and safety.

India imported a record-breaking $116 million worth of U.S. consumer-oriented products in fiscal 2003, more than double the amount in 1999. Increasing urbanization, growth in supermarkets and hypermarkets, greater participation of women in the labor force and rising incomes are boosting demand for consumer-oriented products.

Best Products:

Dried fruits, nuts, sauces, spreads, dressings, fruit juices, jams, jellies, flavoring syrups, biscuits, cookies, breakfast cereals, candies, chocolates and other confectionary products, cake mixes, snack foods, baby foods, frozen potato products, and canned fruits and vegetables

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Plan NOW to be part of the USA Pavilion!

CANADIAN FOOD AND BEVERAGE SHOW

TORONTO, CANADA

Who Should Attend: U.S. exporters of foods, beverages, wines and spirits for the hotel, restaurant and institutional trade

Why: This is Canada's largest food service trade show, which attracted more than 700 exhibitors and 10,000 trade visitors last time. FAS will sponsor a USA Pavilion at the show offering cooking demonstrations and a market briefing for exhibitors.

Dates: Feb. 20-21, 2005

The Market: Canada is the top market for U.S. agricultural exports, purchasing a record $9.1 billion worth in fiscal 2003, 16 percent of total U.S. agricultural exports of $56.2 billion. U.S. product sales to Canada have grown an annual average of 5 percent in the last seven years, and now account for more than two-thirds of all Canadian agricultural imports. Consumer-oriented products account for 70 percent of U.S. agricultural sales to Canada, with fresh and processed fruits and vegetables, snack foods and red meat products the category leaders.

The magnitude of the Canadian market remains apparent when looking at provinces alone. If Ontario, British Columbia and Alberta were countries, they would have ranked, respectively, as the 3rd ($5.6 billion), 7th ($1.2 billion) and 17th ($650 million) largest individual markets for U.S. agricultural exports in 2003.

Best Prospects: **Healthy and convenient foods.** Reduced transfat content foods, high-protein foods, organic foods, soy products, bottled flavored waters, healthy snacks, energy bars and meal solutions are some of the many possibilities.

New, innovative foods. Food-to-go, home meal replacements, sauces, salad dressings, value-added fish and seafood, exotic fruits and vegetables, value-added produce, ethnic and kosher foods are prime examples.

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For more information on the show, visit: **www.fbshow.com**

TRADE SHOW OPPORTUNITY

ANTAD 2005

GUADALAJARA, MEXICO

Who Should Attend: U.S. exporters of food, including catering products, wines, spirits and other beverages for supermarkets and the rest of the retail sector

Why: ANTAD 2005 is Latin America's biggest food and supermarket show, with over 900 exhibitors in 35,000 square meters of exhibition space. At ANTAD 2004, more than 15,000 buyers and importers for supermarkets and other retail outlets visited the show.

When: March 10-12, 2005

The Market: The retail, hotel, restaurant and food processing sectors in Mexico all present good opportunities for U.S. agricultural exports. All product categories showed modest to good growth rates in 2004, and strong growth in sales of red meats, processed fruits and vegetables, dairy products, wines and beer.

Best Prospects: Products with the fastest sales growth in recent years and promising continued growth are fish and seafood products, processed fruits and vegetables, dairy products, snack foods, fresh and prepared red meats, poultry meat, eggs and products, soybean meal and oil and wheat flour.

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TRADE SHOW OPPORTUNITY

HOSTEX 2005

JOHANNESBURG, SOUTH AFRICA

American Café: The American Café at HostEx 2005 offers an excellent opportunity and cost-effective means for producers and suppliers of U.S. food products to display their wares and gain maximum exposure at an international trade show.

The Venue: Sandston Convention Center
Johannesburg, South Africa

Dates: March 13-16, 2005

Deadline: Jan. 15, 2005

The Show: HostEx is the leading food and catering hospitality showcase in the region. In 2003, this show had 367 exhibitors and 10,000 trade visitors. HostEx is the ultimate magnet for the buying power behind the region's leading hotels, restaurants, pubs, clubs and guesthouses, caterers, fast-food establishments and a host of other prominent purveyors. HostEx demonstrates the opportunities for increased U.S. exports to certain niche markets. For a minimal fee of $400, a company can have its product displayed and sampled without the full expense of having its own booth.

The Market: Tourism, with an estimated average annual growth rate of 12 percent, is South Africa's fourth largest industry, supporting more than 700 hotels, 2,800 guesthouses and 10,000 restaurants. Tourism's total contribution to the national economy is estimated at more than $10 billion annually.

Best Products: Pasta, chocolate candies, convenience foods, tree nuts, peanuts, frozen prepared foods for the food service sector, poultry, pet foods, Tex-Mex foods, consumer-ready rice, Greek foods, dairy products, popcorn, fresh fruits, sauces, fish and seafood, private-label products, cereals and whiskey

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Trade Notes...

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USDA Awards $10 Million Under 2004 Emerging Markets Program

Eighty-six agricultural trade-building projects received a total of $10 million in funding from the 2004 Emerging Markets Program. The recipients included universities, federal agencies, trade groups and nonprofit organizations. Projects are being carried out in Africa, Asia, Eastern and Central Europe, South America and the Caribbean.

The program supports generic promotion and distribution of U.S. agricultural products, trade missions and research on new markets, and it encourages free trade policies. It also sponsors seminars and training so potential buyers in emerging economies can profitably use U.S. agricultural goods. All applications undergo a competitive review process. Qualification requirements include cost sharing and justification for federal funding. Other review factors include the quality of the proposal, likely success of intended approach in target markets, and knowledge of the market and of similar activities in the region. For information on the Emerging Markets Program, including a list of the fiscal 2004 projects, call: Tel.: (202) 720-4327; or go to Web site: www.fas.usda.gov/mos/em-markets/em-markets.html

USDA Provides $50 Million in Assistance Under McGovern-Dole Program

USDA announced $50 million in foreign assistance under fiscal 2004 funding for the McGovern-Dole International Food for Education and Child Nutrition Program. This assistance includes donations for 13 developing countries in Africa, Asia, Latin America and Eastern Europe, and is feeding nearly 2 million children. The program helps support education, child development and food security in low-income, food-deficit countries that are committed to universal education. It provides for donations of U.S. agricultural products, as well as financial and technical assistance, for school feeding and maternal and child nutrition projects. This food for education assistance includes a variety of commodities purchased on the U.S. market and donated by USDA. Last year, commodities went to private voluntary organizations, the United Nations' World Food Program and one foreign government.

USDA also provides international food assistance though Section 416(b) of the Agricultural Act of 1949 and through the Food for Progress program. USDA's food for education programs have provided nutritious school meals to some 11 million children in developing countries since 2001.
More information on the program is available at Web site:
www.fas.usda.gov/excredits/FoodAid/FFE/FFE.html


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